

STELUX Holdings International Limited

(incorporated in Bermuda with limited liability)

(Website: <http://www.ione.com.hk>)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2001

RESULTS

The audited consolidated results were as follows:

	For the year ended 31st March	
	2001 HK\$'000	2000 HK\$'000
Turnover (Note 1)	1,243,273	1,136,600
Cost of sales	(520,889)	(451,523)
Gross profit	722,384	685,077
Other income	25,097	30,609
Selling expenses	(480,268)	(379,740)
General and administrative expenses	(170,645)	(167,986)
Other operating expenses	(57,789)	(139,924)
Net surplus written back on the revaluation of investment properties	25,517	46,050
Profit on repurchase of convertible notes	14,847	44,662
Foreign exchange gain on convertible notes	6,248	37,937
Net profit/(loss) on sales of land and buildings	18,083	(15,410)
Recovery of bank deposit from Bank of Credit and Commerce Group (in liquidation)	-	2,904
Net unrealised loss on marketable securities	(283)	(527)
Operating profit (Note 2)	103,191	143,652
Finance costs	(44,709)	(46,890)
Profit before taxation (Note 1)	58,482	96,762
Taxation (Note 3)	(3,084)	(3,430)
Profit after taxation	55,398	93,332
Minority interests	-	-
Profit attributable to shareholders	55,398	93,332
Earnings per share (Note 5)	<i>cents</i>	<i>cents</i>
- Basic	5.92	9.97
- Diluted	5.89	9.90

Notes:-

1. Turnover and profit before taxation

The analysis of the Group's turnover and profit before taxation by activities and geography are as follows:

	Turnover For the year ended 31st March		Profit before taxation For the year ended 31st March	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Analysis by activities:				
Investment	14,808	27,002	17,852	92,990
Property	78,862	41,425	47,820	30,621
Retail and trading	1,149,603	1,068,173	23,863	5,033
Group administration overheads	-	-	(31,053)	(31,882)
	1,243,273	1,136,600	58,482	96,762
Geographical analysis:				
Hong Kong	795,873	634,711	62,977	72,715
South East and Far East Asia	252,608	233,619	(1,273)	15,059
Europe	160,355	225,401	26,457	39,098
North America	19,275	29,857	(918)	712
Others	15,162	13,012	2,292	1,060
Group administration overheads	-	-	(31,053)	(31,882)
	1,243,273	1,136,600	58,482	96,762

2. Operating profit

	For the year ended 31st March	
	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after charging:		
Depreciation		
Owned fixed assets	51,347	45,185
Leased fixed assets	841	334
Amortisation of trademarks and patents	3,087	1,874
Loss on disposal of fixed assets	2,047	758
Loss on sales of marketable securities	9,851	-
and after crediting:		
Interest income	8,052	8,176
Dividend income	1,180	812
Gain on sales of marketable securities	-	10,404

3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the audited consolidated results represents:

	For the year ended 31st March	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
Current taxation	(28)	(282)
Under provision in respect of prior years	(46)	-
	(74)	(282)
Overseas profits tax		
Current taxation	(4,465)	(2,354)
Over/(under) provision in respect of prior years	1,306	(801)
Deferred taxation	149	7
	(3,010)	(3,148)
	(3,084)	(3,430)

4. Final dividends

The directors do not recommend the payment of a dividend for the year (2000: nil).

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$55,398,000 (2000: HK\$93,332,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$55,398,000 (2000: HK\$93,332,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the year plus the weighted average number of 4,679,063 shares (2000: 5,990,112 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

6. Contingent liabilities

The status of the Group's litigation, arbitrations, liability for latent defects in respect of the sale of Titus Square and other contingent liabilities were fully disclosed in the Annual Report 2000. There were no significant changes during the year except that determinations of the arbitrations are anticipated in the second half of the year 2002 for Stelux House and 2001 for Titus Square.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

Group turnover this year was HK\$1,243 million compared to HK\$1,137 million last year, an increase of 9%. Profit attributable to shareholders this year was HK\$55 million compared to a profit of HK\$93 million last year due to a decrease in profits from non-recurring items.

Retail and Trading Division

Turnover of our City Chain stores in HK and the rest of Asia improved by 22% compared to the same period last year whilst profits grew from HK\$2 million last year to HK\$18 million this year.

Generally speaking, over the past year, slightly better sentiment in HK and regionally together with our efforts in reengineering the City Chain brand, its image and changed product mix contributed to the better results. Building upon City Chain's forefront position in the watch business, we hope to make City Chain into one of the best retailers in HK and regionally. To this end, we have introduced fashion label sunglasses into selected stores in prime tourist areas. Our product portfolio for silver jewellery accessories was also expanded and is now sold in more City Chain stores.

Optical 88 reported an increase in turnover from last year of 12%, amidst fierce competition in the HK market. However, price wars in this sector affected profits and a loss of HK\$2 million was reported compared to a slight profit of HK\$1 million last year. To beat the competition, we will enhance the image of our stores, the quality of our sales force and also bring in new product mixes. To better our services, we have introduced various customer loyalty programmes.

Turnover at Hipo.fant improved by 24% and a slight profit of HK\$2 million was also reported compared to a loss of HK\$2 million last year. This was due to efforts made in increasing product varieties and introducing attractive promotion programs. Efforts to this end will continue into the financial year 2001/2002 as competition in this sector will remain keen with even more bargain hunting customers expecting deeper discounts. Hipo.fant has recently re-entered the Singapore market opening 2 stores and 2 more stores will be opened by Christmas 2001.

During the period under review, we have continued to build upon City Chain, Optical 88 and Hipo.fant's reputations by further strengthening their respective market shares. The Group's total stores in HK and the region increased from 356 as at 1st April 2000 to 419 as at 30th June 2001.

Turnover of our watch export and overseas trading subsidiaries decreased by 27% compared to last year. However, profit was up from HK\$4 million to HK\$9 million this year due mainly to improved sales margins and efficient cost controls. The smaller turnover was due partly to higher unit prices because of the strong US dollar and to logistical problems.

Property Investment

Stelux House continues to contribute stable income and leases due for renewal have been renewed at satisfactory rents. During the year, surplus written back on the revaluation of Stelux House amounted to HK\$27 million while deficits on the revaluation of other investment properties amounted to HK\$2 million.

Two shop properties were disposed of at an aggregate sales proceeds of HK\$107 million with a net profit of about HK\$18 million. Presently, the Group still owns 3 shops in Hong Kong and 5 shops in Macau.

Prospects

Hong Kong continues to suffer from deflation. The Asian region is beset with political and economic problems and the US economy remains sluggish. Although, the mainland's entry into WTO is imminent, its effects will not be seen in HK in the very near future. Thus, these negative factors will continue to undermine consumer confidence and spending habits in the financial year 2001/2002.

However, we remain excited about what we have done and will continue to do in product development and reengineering the operations of our 3 retail chains to improve their profitability.

To meet a challenging year ahead of us, we will increase our efforts in a number of key areas - further improvement in product development, enhanced product quality, deliveries and fine tuning product mix, shop location and prices. We believe we can meet these challenges and expect to see positive results from our core business next year.

FINANCE

During the year, Swiss Francs Convertible Notes (the "Notes") in a total nominal amount of SFr29.5 million had been repurchased at an average discount of 10 per cent and balance of the Notes in a total nominal amount of SFr29.4 million were fully redeemed on 30th March 2001. There were no Notes outstanding as at the balance sheet date.

23,270,000 shares in Bangkok Land were disposed of with cash inflow of HK\$11.7 million. The number of shares held at the balance sheet date was 730,067.

The Group's borrowings (including bank loans and the Notes) at balance sheet date were HK\$511 million (2000: HK\$665 million), out of which, HK\$203 million (2000: HK\$388 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.68 (2000: 0.92), which was calculated based on the Group's borrowings and the shareholders' funds of HK\$757 million (2000: HK\$725 million.)

4% (2000: 42%) of the Group's borrowings were denominated in foreign currencies. Group's borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 31st March 2001, the Group had 1,853 employees. Details of the outstanding share options were disclosed in the Annual Report 2000. There was no change during the year.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 31st March 2001, certain of the Group's land and buildings amounting to HK\$238 million (2000: HK\$285 million), investment properties amounting to HK\$592 million (2000: HK\$604 million) and equipment amounting to HK\$2 million (2000: Nil) were pledged to secure banking facilities granted to the Group.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities except that a wholly owned subsidiary company had repurchased Swiss Francs 29.5 million and redeemed Swiss Francs 29.4 million of the unlisted Swiss Francs Convertible Notes issued by the same subsidiary as follows:

Issuer	Description	Nominal amount	Consideration paid
Stelux Holdings Limited	1.75 percent	Repurchased:	
	Swiss Francs	Swiss Francs	Swiss Francs
	125,000,000	29,500,000	26,446,000
	Convertible	Redeemed:	
Notes due 2001	Swiss Francs	Swiss Francs	Swiss Francs
	29,400,000	29,400,000	

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of annual results of the Group for the year ended 31st March 2001 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

On behalf of the Board
Joseph C. C. Wong
Managing Director

HONG KONG, 19th July 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Stelux Holdings International Limited (the "Company") will be held at 5/F., Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Friday, 21st September, 2001 at 11:30 a.m. for the following purposes:-

- To receive and consider the audited financial statements of the Company and the reports of the Directors and Auditors thereon for the year ended 31st March, 2001;
- To elect Directors and to authorise the Board to fix the remuneration of the Directors for the ensuing year;
- To consider and, if thought fit, re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix their remuneration;
- As special businesses:

ORDINARY RESOLUTIONS

To consider and, if thought fit, adopt with or without amendments, the following ordinary resolutions:-

(A) "THAT:

- subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be and it is hereby generally and unconditionally approved;
- the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- for the purpose of this Resolution "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda (as amended) to be held; and
 - the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting."

(B) "THAT:

- subject to paragraph (iii) below and subject to the consent of the Bermuda Monetary Authority, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- the approval in paragraph (i) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i), otherwise than pursuant to (a) a Rights Issue, (b) the exercise of rights of subscription or conversion under the terms of

any warrants issued by the Company or any securities which are convertible into shares of the Company (c) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchase by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(iv) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or the Companies Act 1981 of Bermuda (as amended) to be held; and
- the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

(C) "THAT the Directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (i) of the resolution set out as resolution (B) in the notice of the meeting of which this resolution forms a part in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (iii) of such resolution."

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 19th July, 2001

Principal Office:
27/F., Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:-

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, shall be delivered to the Company's Hong Kong registrar, Central Registration Hong Kong Limited, 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.